CARLING O'KEEFE LIMITED

Annual Report 1979


BENNETT
Dominion
CARLING
Black Label
BEER
Ale Bière
MAGNUM ALE
Bière
O'Keefe
Ale
Old Vienna
LAGER BEER
BIÈRE
Colt 45
Beer Bière

CARLING O'KEEFE LIMITED
ANNUAL REPORT 1979

SUMMARY OF CONTINUING OPERATIONS

	1979	1978
BEER		
Sales hectolitres	4,769,000	4,990,000
Sales value	$360,593,000	$342,445,000
WINE		
Sales litres	21,581,000	22,139,000
Sales value	$ 33,525,000	$ 31,904,000
OIL & GAS		
Sales—Gas (mcf.)	4,223,000	4,408,000
—Oil and other (bbls.)	496,000	517,000
Sales value	$ 7,155,000	$ 6,798,000
CONSOLIDATED		
Sales value	$401,273,000	$381,147,000
Earnings from continuing operations	$ 13,612,000	$ 11,809,000
Earnings from continuing operations per common share	52.9¢	44.6¢
Dividends per common share	5.0¢	—

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VERSION FRANÇAISE

Si vous désirez une version française de ce rapport, veuillez en faire la demande par écrit au:

Vice-président juridique et secrétaire
Carling O'Keefe Limitée
79 St. Clair Avenue East, Toronto, Canada M4T 1M6

Report to the Shareholders

The 1978/79 fiscal year was a year of progress for Carling O'Keefe Limited as the Company reported higher consolidated sales revenue and earnings than for the previous year, despite the effect of work stoppages in the Canadian brewing operations in the Provinces of Manitoba, Alberta and British Columbia during the key summer months for beer sales.

Consolidated earnings from continuing operations for the year were $13,612,000 or 52.9¢ per common share compared to $11,809,000 or 44.6¢ per common share for the year ended March 31, 1978.

Consolidated net earnings for the year ended March 31, 1979 including an extraordinary gain on sale of the surplus winery in Victoria, British Columbia, were $13,934,000 or 54.4¢ per common share compared to a consolidated net loss after extraordinary items of $8,559,000 or 49.0¢ per common share for the year ended March 31, 1978. The 1978 loss was after an operating loss of $10,157,000 from the United States brewing operations for the period to December 30, 1977 and after a net loss on the sale of these operations and certain other brewing assets in Canada. Details of the extraordinary items are shown in Note 3 to the consolidated financial statements.

CONSOLIDATED RESULTS

FINANCIAL YEARS ENDED	MARCH 31 1979	MARCH 31 1978	% INCREASE (DECREASE)
Sales	$401,273,000	$381,147,000	5.3
Earnings from continuing operations	$ 13,612,000	$ 11,809,000	15.3
Earnings before extraordinary items	$ 13,612,000	$ 1,652,000	
Earnings (loss) after extraordinary items	$ 13,934,000	$ (8,559,000)	
Earnings (loss) per common share for the year			
From continuing operations	52.9¢	44.6 ¢	18.6
Before extraordinary items	52.9¢	(2.1)¢	
After extraordinary items	54.4¢	(49.0)¢	
Dividends per common share	5.0¢	—	

The 1978/79 fiscal year also marked the resumption of the payment of dividends to Common Shareholders. On November 29, 1978 the Company declared a dividend of 2.5¢ per common share which was paid on January 1, 1979. A similar dividend was paid on April 1, 1979. These were the first common dividends paid since October 1972. The Board of Directors recognize that the rate of payment in fiscal 1978/79 was modest but wished to be sure that once common dividends were restored they would be maintained. The objective of the Directors is to gradually increase dividends as earnings and other cash requirements of the Company permit, until the rate of payout is in line with other publicly held companies in Canada.

Carling O'Keefe Breweries of Canada Limited began the year on a very encouraging basis with increased sales volume and share of market in the majority of the provinces in which the company carries on business. Unfortunately, the work stoppages in Western Canada disrupted the situation during the summer months, which are the highest sales volume months of the year, and as a result the company reported lower sales volume than for the previous fiscal year. However, production efficiencies resulting from the sale of surplus production capacity in the previous year together with price increases received during the year allowed the company to modestly increase earnings. The brewing industry was even more competitive in the past year with a record number of new brands launched and marketing activities at a high level. This reflects the situation in the Canadian brewing industry, where industry sales growth has been slow for several years and increased sales volume must come from competitors.

Jordan Valley Wines Limited, your Company's subsidiary in the Canadian wine industry, had a

difficult year. The increased sales volume in Western Canada which resulted from the brewing industry work stoppages, was offset by a seven week strike at the Manitoba Liquor Commission and a decline in sales volume in Ontario where imported products continued to take a larger share of the fast growing table wine segment of the market. As a result sales volume and earnings declined slightly from last year.

The available supply of natural gas in Canada is in excess of the present domestic and export requirements and it is very difficult to bring newly discovered gas reserves to production or to even maintain current production levels. As a result of this situation, the sales volume of Star Oil & Gas Ltd. declined slightly from last year. Earnings also were lower as the increased level of exploration and development expenditures resulted in higher depletion costs. However, proven reserves of both natural gas and oil increased, which added to the worth of the company.

Beamish & Crawford Limited, your Company's subsidiary operating in the brewing industry in Ireland, had a successful year. Increased selling prices and resulting improved margins more than offset the effect of a slight decline in sales volume. The strength of the Irish currency compared to the Canadian dollar also improved the operating results when the earnings were translated to Canadian funds.

Shareholders were advised in last year's Report that Management was reviewing plans for the ongoing operation of the Company and its subsidiaries to determine the future course of action and how the funds remaining from asset disposals would be utilized in the existing business. It was reported at that time that outlays to renew or replace existing facilities to enable the Company to remain competitive would be the first priority and this policy has been followed during the year. In addition, in view of the world wide energy shortage and the rapid escalation of energy prices, the decision was taken to increase the level of investment in the oil and gas industry through expanding the exploration and development activities of Star Oil & Gas Ltd. As a result total capital expenditures for the year ended March 31, 1979 were approximately $26,500,000 and expenditures for the 1979/80 fiscal year are expected to be approximately the same. To maintain and improve its competitive position in the market place the Company also increased its spending on marketing activities. During the year the Company acquired the interest in The Toronto Argonaut Football Club that it did not previously own and undertook to support Le Club de Hockey Les Nordiques, Inc. in its application for a National Hockey League franchise. Although the above activities reduced the amount of short term investments and working capital at March 31, 1979, the Company's overall financial position remains strong with a good working capital position and a low debt to equity relationship.

Board of Directors and Management

There was a considerable change in the membership of the Board of Directors during the year.

Three Directors, Mr. A. Maxwell Henderson, who had served as a Director since 1975, Mr. A. Searle Leach, who had served as a Director since 1964 and Mr. Anthon W. Nielsen, who had served as a Director since 1972, retired from the Board in accordance with the policy on age limitation established for Directors. Mr. I. Loyola Matte, who had been a Director since 1977, resigned as a Director during the year for personal reasons. The Board wishes to thank these gentlemen for their service to the Company during the time they were Directors.

Four new Directors have been appointed. In October 1978 Sir David Nicolson, Chairman of Rothmans International Limited, London, England, accepted an appointment to the Board. In May 1979 Mrs. Louise B. Vaillancourt, a Director of several prominent Canadian companies, Mr. Poul J. Svanholm, President of The United Breweries Limited, Copenhagen, Denmark, and Mr. Ralph L. Beatty, Executive Vice President Finance of Carling O'Keefe Limited, were appointed to the Board of Directors. We believe that each of these individuals will make a positive contribution to the future success of the Company.

There were also significant changes in the Senior Management of the organization. On January 1, 1979 Mr. S. Roderick McInnes was appointed President and Chief Executive Officer of Carling O'Keefe Limited. Since October 1976 Mr. McInnes has served as a Director of your Company and as Chairman, President and Chief Executive Officer of Carling O'Keefe Breweries of Canada Limited.

In February 1979 Mr. James R. Taylor was appointed President and Chief Executive Officer of Carling O'Keefe Breweries of Canada Limited succeeding Mr. McInnes in this position. Mr. Taylor has been associated with the brewing industry in Canada in an executive capacity for many years.

In March 1979 Mr. Noah Torno, who has served as a Director of your Company since 1975 and as Chief Executive Officer of Jordan Valley Wines Limited since 1948, resigned his position with Jordan, but will continue as a Director of the Company. In May 1979 Mr. Donald H. Twiner was appointed President and Chief Executive Officer of Jordan bringing to that company many years of senior management experience in the consumer products business.

Outlook

Management has been following a policy of providing a steady growth in earnings while at the same time investing adequate funds in plant and equipment and marketing activities to ensure the longer term viability of the Company. This policy will continue to be followed in the coming fiscal year.

It is recognized that the Company still has problems in the very competitive beer and wine businesses and that the short term operating results of the oil and gas subsidiary will depend to a large extent on Government actions in the approval of additional exports of natural gas and the establishment of selling prices for the industry. Despite these problems, Management remains confident that the Company will continue to grow and become more valuable and profitable in the future.

Appreciation

On behalf of the Board of Directors, we would once again like to thank our 3,500 employees in Canada and Ireland for their loyalty, hard work and devotion. Without their efforts nothing would be accomplished.

We would also express our gratitude to our more than 30,000 Shareholders for their support.

J. C. LOCKWOOD
Chairman of the Board

S. R. MCINNES
President and Chief Executive Officer

May 24, 1979

Review of Operations

Brewing Operations—Canada

Sales volume of the Canadian brewing industry declined by 2.6% from the previous year as the result of work stoppages due to labour disputes in the Provinces of British Columbia, Alberta and Manitoba during the summer months of 1978.

BREWING OPERATIONS—CANADA

FINANCIAL YEARS ENDED	MARCH 31 1979	MARCH 31 1978	% INCREASE (DECREASE)
Sales (hectolitres)	4,534,000	4,744,000	(4.4)
Sales	$329,074,000	$317,322,000	3.7
Earnings before interest and income taxes	$ 12,952,000	$ 12,627,000	2.6
Earnings per hectolitre	$2.86	$2.66	7.5

The company's sales volume declined by 4.4% for the year due mainly to the impact of the work stoppages together with a slight erosion in the company's overall share of market. Market share increases were achieved in Quebec, Manitoba, Saskatchewan and Newfoundland, but were offset by declines in Alberta and British Columbia. These declines reflected the company's inability to maintain the market share position it held prior to the strike period. Market share in Ontario was relatively unchanged.

Sales revenues increased by 3.7% over the preceding year as the selling price increases granted by the Provincial authorities and approved by the Anti-Inflation Board offset the sales volume decline.

Raw materials and manufacturing costs were below the previous year reflecting the effect of lower volume and a marginal reduction on a per unit basis. The impact of increased wage rates was offset by savings resulting from the full year's effect of the consolidation of Ontario production accomplished in the 1977/78 fiscal year and lower malt costs.

To meet the increased competition in the Canadian market place, particularly in provinces where radio and television advertising is permitted, the company increased its marketing expenditures substantially during the year. Distribution costs also rose principally due to wage increases and escalation in energy related expenses.

The twelve month period ended March 31, 1979 was a period of unprecedented activity in the Canadian beer industry. During this period ten new brands of beer were launched in the Canadian market and there was a total of twenty-one provincial brand introductions. In this period the company introduced two new brands, both in the Ontario market. Prior to Christmas, the company launched Magnum 5.5, a higher strength, premium priced, limited edition beer sold only during the festive season. In March 1979 Magnum Ale was introduced. This brand is a regular strength, popular priced ale, targeted at the large ale segment of the market.

As part of its continuing involvement in sports, the company acquired the 60% interest of The Toronto Argonaut Football Club which it did not previously own. In April 1979 a subsidiary company, Le Club de Hockey Les Nordiques, Inc., made application to obtain a National Hockey League franchise. It is expected that the Quebec Nordiques will be playing in the NHL for the 1979/80 season.

It is encouraging that the company maintained its profitability in the face of the severe adverse impact of labour disruptions during the summer months.

Wine Operations

Sales volume of the total wine industry in Canada increased by approximately 8% during

the year under review, which was in line with the trend of recent years. Imported foreign products continued to increase their share of the total market and it is estimated that they now account for approximately 57% of all wine sales in Canada. The shift in consumer preference from the high alcohol sweet tasting dessert wines, which were the mainstay of the domestic wineries, to the lower alcohol medium dry and dry table wines continues. The total table wine segment is now estimated to account for 62% of industry volume and this segment is dominated by the imported foreign products.

Jordan Valley Wines Limited reported a 2.5% decrease in sales volume during the year. Sales gains during the second quarter of the fiscal year, which resulted from the labour disruptions in the brewing industry in three of the four Western Provinces, were partially offset by a subsequent seven week strike at the Manitoba Liquor Commission. The company also did not maintain its share of the fast growing table wine segment of the major Ontario market. In addition the lack of a winery in Quebec precluded Jordan from participating in licensed grocery store distribution which started in December 1978. This method of distribution met with considerable success during its initial stages.

Sales revenue increased by 5.1% over the prior year due to a combination of price increases and product mix. Price increases were received in all Provinces during the year with the exception of the major market of Ontario where prices were unchanged from July 1977 to April 1979. These price increases were insufficient to offset the effect of lower volume and increased costs of raw materials, manufacturing, marketing and other overheads. As a result earnings before interest and taxes declined from the previous year.

WINE OPERATIONS

FINANCIAL YEARS ENDED	MARCH 31 1979	MARCH 31 1978	% INCREASE (DECREASE)
Sales (litres)	21,581,000	22,139,000	(2.5)
Sales	$33,525,000	$31,904,000	5.1
*Earnings before interest and income taxes	$ 2,166,000	$ 2,383,000	(9.1)
*Earnings per litre	$0.10	$0.11	(9.1)

* Carling O'Keefe Limited share

Jordan continued to increase the number of retail mini-stores in Ontario, a programme which it pioneered in 1977. During the year nine additional stores were opened bringing the number of retail stores in Ontario to twenty four. The results of the mini-store concept have been encouraging and additional stores have been planned for future implementation.

During the year the company completed the construction of the new winery in Surrey, British Columbia and the plant came on stream early in the fiscal year. The old obsolete Victoria winery was sold for cash in June 1978 and the profit on the sale has been shown as an extraordinary item in the financial statements.

Oil and Gas Operations

Star Oil & Gas Ltd. increased its drilling activity and maintained an active programme of acquisition of potential oil and gas lands in Western Canada. The decrease in earnings before interest and taxes was caused by a significant increase in depletion costs as a result of the expanded programme of capital expenditure and a decrease in gas sales caused by the current lack of markets for the company's newly developed gas reserves.

During the year the company participated in an active drilling programme with the following results:

	Year Ended March 31					
	1979			1978		
	Working Interest Wells			Working Interest Wells		
	Total	Star Share	Royalty Interest Wells*	Total	Star Share	Royalty Interest Wells*
Canada						
Gas	25	9.22	5	22	8.85	9
Oil	19	7.66	1	3	.84	2
Dry and abandoned	16	6.59	8	8	1.81	2
	60	23.47	14	33	11.50	13
United States						
Gas	4	.50				
Oil	3	.38		2	.25	
Dry and abandoned	12	2.26		—	—	
	19	3.14		2	.25	

*Drilled at no cost to Star under agreements with other companies.

As a result of the drilling programme, the company developed new gas reserves in the Heart Lake, Grassland, Bellis and Hoadley areas of Alberta and in the Rigel and Yoyo areas of Northeastern British Columbia. In addition the company is involved in an interesting oil development in the Gladys/Blackie area of Southern Alberta. In the United States the company expanded its activity and now has an interest in five producing oil wells and four gas wells, which will all be on production by the fall of 1979.

The results of the year's activity on gross proven reserves, prior to royalties, is summarized as follows:

	Year Ended March 31			
	1979		1978	
	Natural Gas	Crude Oil & Natural Gas Liquids	Natural Gas	Crude Oil & Natural Gas Liquids
	(Bcf)	(000's bbls.)	(Bcf)	(000's bbls.)
Proven reserves at April 1	177.3	6,298	172.0	6,790
Additions	15.2	566	9.7	25
Production and sales	(4.2)	(496)	(4.4)	(517)
Proven reserves at March 31	188.3	6,368	177.3	6,298

In Western Canada, Star acquired an interest in 106,784 gross acres of prospective oil and gas lands through purchases at Crown petroleum and natural gas rights sales, an interest in 12,166 gross acres through drilling and the interest in 17,325 gross acres was surrendered. In Australia the company increased its land holdings by the acquisition of an interest in a second petroleum and natural gas offshore permit containing 395,200 acres. The marine seismic survey on the original offshore Australia permit has been completed and the results should be available by the summer of 1979.

As at March 31, Star held interest in gross and net acres as follows:

	As At March 31					
	1979			1978		
	Working Interest			Working Interest		
	Gross Acres Held	Star Net Interest In Acres Held	Royalty Interest	Gross Acres Held	Star Net Interest In Acres Held	Royalty Interest
Western Canada	611,166	213,371		509,541	183,348	
Arctic Islands			479,811			479,811
East Coast Offshore			368,806			368,806
United States						
Alaska	20,453	667		20,453	535	
Texas	5,220	2,653		2,600	325	
Australia Offshore	4,940,000	691,600		4,544,800	636,272	
	5,576,839	908,291	848,617	5,077,394	820,480	848,617

The supply of natural gas in Alberta, and to a lesser extent in British Columbia, is in excess of current domestic and export requirements. As a result the company has not been able to place any of its newly discovered gas on production. However, the National Energy Board in its report "Canadian Natural Gas Supply and Demand" has agreed that there is at least 2 trillion cubic feet of gas in Canada which is available for export. As a result there will probably be additional exports of natural gas to the United States approved some time during the coming year and deliveries of additional gas should start by 1982. At that time a portion of the company's shut-in gas reserves should be placed on production.

The company's gas reserves in the Dahl area of Northeastern British Columbia were placed on production in March 1979 and production from the Hatton area of Southwest Saskatchewan will be increased on November 1, 1979 under the terms of the gas purchase contract with Saskatchewan Power Corporation. Additional development drilling and gas plant expansion will be carried out in various areas of Alberta to maximize the company's gas sales under existing contracts. All of these activities should help to increase the company's gas sales during the 1979/80 fiscal year.

Demand for Canadian oil remains high and the company will continue its efforts to increase oil production by exploratory drilling and subsequent development of additional oil reserves.

During the coming year the company plans to maintain its current level of drilling and land acquisition both in Canada and the United States.

OIL AND GAS OPERATIONS

FINANCIAL YEARS ENDED	MARCH 31 1979	MARCH 31 1978	% INCREAS (DECREAS
Sales—Gas (Mcf.)	4,223,000	4,408,000	(4.2)
—Oil and other (bbls.)	496,000	517,000	(4.1)
Sales	$7,155,000	$6,798,000	5.3
Earnings before interest and income taxes	$3,816,000	$4,179,000	(8.7)

Brewing Operations—Ireland

Sales volume of the Irish brewing industry increased by in excess of 5% with the major growth coming in the lager segment of the market. Domestic sales volume of Beamish & Crawford Limited declined by .9% from the previous fiscal year primarily as a result of the programme to rationalize the customer base and distribution network and increased competition particularly in the lager segment of the market. Lower export sales accounted for the remaining decline in sales volume.

The brewing industry received two price increases during the fiscal year, one in July 1978 and the other in February 1979. These increases offset the effect of the decline of sales volume and resulted in increased sales revenue and earnings for Beamish & Crawford Limited. Sales revenue and earnings also benefited from the lower value of the Canadian dollar when the operating results were translated from the local currency to dollars.

The rationalization programme to reduce the company's customer base and distribution network to a more economic level was completed during the year. This resulted in lower distribution costs and has left the company in a good position to take advantage of future sales growth.

BREWING OPERATIONS—IRELAND

FINANCIAL YEARS ENDED	MARCH 31 1979	MARCH 31 1978	% INCREASE (DECREASE)
Sales (hectolitres)	235,000	246,000	(4.5)
Sales	$31,519,000	$25,123,000	25.5
Earnings before interest, foreign exchange and income taxes	$ 1,776,000	$ 906,000	96.0
Foreign exchange gain	$ 758,000	$ 678,000	11.8
Earnings before interest and income taxes	$ 2,534,000	$ 1,584,000	60.0
Earnings per hectolitre	$10.78	$6.44	67.4

International Division

Royalty income from the sale of Carling Black Label in overseas markets where it is produced under license, continued to make an important contribution to the income of the Company. Royalty income for the year was $3,157,000 an increase of 78% over the previous year. The increase was primarily due to higher royalty rates, which increased in line with selling prices, and a retroactive rate adjustment relating to the previous year. Volume increased by approximately 16% and there was a favourable exchange factor when local currencies in which the royalties were paid were converted to Canadian dollars.

Financial Position

At March 31, 1979 working capital was $40,467,000, a decrease of $8,972,000 from the working capital position at March 31, 1978. The ratio of current assets to current liabilities was 1.8:1 compared to 2.1:1 at March 31, 1978. The reduction in working capital reflected increased capital expenditures, the purchase of the remaining interest in The Toronto Argonaut Football Club and the reduction of long term debt.

Capital expenditures on property, plant and equipment for the year were $26,533,000. Expenditures on the acquisition of petroleum and natural gas rights and on exploratory and development drilling were $14,473,000. Expenditures in the Canadian brewing operations amounted to $9,262,000 which included the expansion programme in Montreal, Quebec and St. John's, Newfoundland and an upgrading of the production facilities at the other breweries.

Capital expenditures planned for 1980 total $25,500,000. Major items include continued activity in the exploration for and development of oil and natural gas reserves, the upgrading of brewing production facilities in Canada and Ireland and improvement of production facilities at the St. Catharines winery.

CARLING O'KEEFE LIMITED

AND SUBSIDIARY COMPANIES

(Incorporated under the laws of Ontario)

Consolidated Statement of Earnings

(in thousands of dollars)

	Year Ended March 31	
	1979	**1978**
Income		
Sales	$401,273	$381,147
Excise and sales taxes	129,884	123,314
	271,389	257,833
Investment and other income	6,241	4,470
	277,630	262,303
Costs		
Raw materials and manufacturing	135,461	136,444
Marketing and distribution	99,533	85,747
Administrative and general	18,641	18,173
Interest on long term debt	1,787	1,565
Other interest	217	1,190
Foreign exchange	(758)	(678)
Minority interest	64	83
	254,945	242,524
Earnings before income taxes	22,685	19,779
Income taxes		
Current	5,848	5,392
Deferred	3,225	2,578
	9,073	7,970
EARNINGS FROM CONTINUING OPERATIONS	13,612	11,809
Loss from United States brewing operations	—	(10,157)
Earnings before extraordinary items	13,612	1,652
Extraordinary items (Note 3)	322	(10,211)
EARNINGS (LOSS) FOR THE YEAR	$ 13,934	$ (8,559)
Earnings (loss) per common share for the year		
Preference share dividends	$ (2,091)	$ (2,107)
Earnings (loss) for the year applicable to 21,762,295 common shares outstanding	$ 11,843	$(10,666)
From continuing operations	52.9¢	44.6 ¢
Before extraordinary items	52.9¢	(2.1)¢
After extraordinary items	54.4¢	(49.0)¢
Dividends per common share	5.0¢	—

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	Year Ended March 31 1979	Year Ended March 31 1978
Working capital was increased by		
Earnings from continuing operations before extraordinary items	$ 13,612	$ 11,809
Depreciation and amortization	8,944	8,501
Deferred income taxes	3,225	2,578
Other items not requiring working capital	1,338	584
Working capital from continuing operations	27,119	23,472
Proceeds on sale of winery assets	1,183	–
Proceeds on sale of United States brewing subsidiary	–	29,765
Proceeds on sale of Canadian brewery assets and sundry property less mortgage of $6,885	–	10,377
Proceeds on disposal of property, plant and equipment and other assets	1,234	1,960
Issue of term bank loan (Note 5)	–	7,000
	29,536	72,574
Working capital was decreased by		
Additions to property, plant and equipment	26,533	22,774
Purchase of assets of The Toronto Argonaut Football Club $3,500 plus working capital deficiency $768 (Note 2)	4,268	–
Additions to other assets	704	681
Reduction of long term debt	3,651	5,239
Dividends		
Preference shares	2,091	2,107
Common shares	1,088	–
Purchase of preference shares	173	154
Increase in advances to United States brewing subsidiary	–	1,105
	38,508	32,060
Increase (decrease) in working capital	(8,972)	40,514
Working capital at beginning of year	49,439	8,925
Working capital at end of year	$ 40,467	$ 49,439

Consolidated

(in thous[illegible]

ASSETS	March 31 1979	March 31 1978
Current assets		
Cash and short term investments, at cost which approximates market	$ 8,927	$ 16,993
Accounts receivable	28,502	26,988
Recoverable income taxes	—	664
Inventories		
Beverage products, finished and in process	32,293	29,257
Materials and supplies	10,130	9,429
Containers	7,636	8,284
	50,059	46,970
Prepaid expenses	3,454	3,322
Total current assets	90,942	94,937
Property, plant and equipment, at cost		
Land	6,135	6,096
Buildings	66,724	64,550
Machinery and equipment	101,758	95,690
Motor vehicles	12,141	11,496
Oil and gas properties	41,479	28,721
Leasehold improvements	1,350	1,209
	229,587	207,762
Less accumulated depreciation	96,851	90,127
	132,736	117,635
Other assets		
Mortgages and long term receivables (Note 4)	7,079	7,178
Deferred charges and other investments	3,949	4,795
Sports franchise (Note 2)	6,067	1,886
Cost of shares of subsidiaries in excess of underlying net tangible asset values at acquisition, less amortization (Note 9)	12,058	11,493
	29,153	25,352
	$252,831	$237,924

APPROVED BY THE BOARD:
J. C. LOCKWOOD, *Director*
A. M. HENDERSON, *Director*

Balance Sheet

of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31 1979	March 31 1978
Current liabilities		
Bank indebtedness	$ 3,008	$ 2,269
Accounts payable and accrued liabilities	34,896	31,245
Income taxes	3,912	4,364
Other taxes	7,594	7,095
Dividends payable	1,065	525
Total current liabilities	50,475	45,498
Long term debt (Note 5)		
Sinking fund debentures payable in either Canadian or United States funds at par, at the option of the holder:		
Series A 4¾% due January 15, 1979	–	600
Series B 4¼% due January 15, 1981	1,600	2,071
Sinking fund debentures payable in Canadian funds:		
Series C 5% due January 15, 1983	2,315	2,826
Series D 5½% due April 1, 1986	4,164	5,533
Series E 5½% due April 1, 1989	7,458	8,059
Term bank loan, due March 31, 1985	7,000	7,000
	22,537	26,089
Less amount included in current liabilities	1,915	1,497
	20,622	24,592
Deferred income taxes	25,320	22,095
Minority interest	1,824	1,731
Shareholders' equity		
Capital stock (Note 6)		
Authorized		
860,532 preference shares with a par value of $50 each, issuable in series		
30,001,260 common shares without par value		
Issued		
433,745 $2.20 cumulative redeemable preference shares, Series A	21,687	21,687
426,787 $2.65 cumulative redeemable preference shares, Series B	21,339	21,596
21,762,295 common shares	78,357	78,357
	121,383	121,640
Retained earnings	33,207	22,368
Total shareholders' equity	154,590	144,008
	$252,831	$237,924

Consolidated Statement of Retained Earnings

(in thousands of dollars)

	Year Ended March 31	
	1979	1978
Balance at beginning of year	$ 22,368	$ 32,933
Earnings (loss) for the year	13,934	(8,559)
Excess of par value over cost of preference shares purchased for cancellation	84	101
	36,386	24,475
Dividends		
Preference		
$2.20 per Series A share and $2.65 per Series B share	2,091	2,107
Common—5¢ per share	1,088	—
Balance at end of year	$ 33,207	$ 22,368

Analysis of Changes in Consolidated Working Capital

(in thousands of dollars)

	Year Ended March 31	
	1979	1978
Increase (decrease) in current assets		
Cash and short term investments	$ (8,066)	$ 15,134
Accounts receivable	1,514	748
Recoverable income taxes	(664)	(684)
Inventories	3,089	(1,648)
Prepaid expenses	132	746
Total	(3,995)	14,296
(Increase) decrease in current liabilities		
Bank indebtedness	(739)	30,451
Accounts payable and accrued liabilities	(3,651)	155
Income taxes	452	(3,459)
Other taxes	(499)	(932)
Dividends payable	(540)	3
Total	(4,977)	26,218
Increase (decrease) in working capital	$ (8,972)	$ 40,514

Notes to Consolidated Financial Statements

MARCH 31, 1979 AND 1978

1. Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies. The principal operating subsidiaries are listed on Page 24. Purchase accounting has been followed for all acquisitions. For certain subsidiaries acquired prior to April 1, 1974 the excess of the cost of shares over the value of the underlying net tangible assets at the time of acquisition is carried at cost and is not amortized. In accordance with current accounting practice, intangible assets acquired subsequently are amortized over periods not exceeding forty years.

FOREIGN EXCHANGE

Foreign currency accounts are translated to Canadian dollars as follows: current accounts at exchange rates in effect at March 31; other balance sheet accounts and depreciation expense at historical rates of exchange; income and other costs at average rates of exchange during the year. The resulting exchange gains or losses are included in the consolidated statement of earnings.

INVENTORIES

Inventories of beverage products, materials and supplies are stated at the lower of average cost and net realizable value. Containers are recorded at amortized cost which is lower than new replacement cost.

PROPERTY, PLANT AND EQUIPMENT

Depreciation is provided on the straight line basis at the following rates per annum:

Buildings	2½%- 6⅔%
Machinery and equipment	6⅔%-10%
Motor vehicles	10%-25%

Oil and gas properties are accounted for on the full cost method, whereby all costs of exploration and development are capitalized and amortized against income using the unit of production method based on proven oil and gas reserves.

OTHER ASSETS

Other assets are recorded at cost or amortized cost.

PENSIONS

Current service costs are charged to operations as they accrue. Prior service costs arising from amendments to the plans and actuarial gains or losses are charged to operations as they are funded in accordance with legal requirements over periods ranging from five to fifteen years.

MARKETING COSTS

Marketing costs, including those related to the introduction of new brands, are charged to operations during the year primarily in relation to sales and are fully expensed by the end of the year in which the cost is incurred.

INCOME TAXES

Income taxes are accounted for on the tax allocation basis for all timing differences between accounting and taxable income. These timing differences arise principally between accounting and tax depreciation.

2. Acquisition

Under an agreement dated December 15, 1978 Carling O'Keefe Breweries of Canada Limited acquired for $3,500,000 cash the 60% interest in The Toronto Argonaut Football Club which it did not previously own. The values underlying this transaction were as follows:

Investment at March 31, 1978		$1,886,000
Cash payment	$3,500,000	
Working capital deficiency at acquisition	768,000	4,268,000
		6,154,000
Less tangible assets acquired		87,000
Cost of sports franchise		$6,067,000

3. Extraordinary Items

	1979	1978
Gain on sale of winery assets $351,000, less minority interest	$322,000	$ –
Loss on sale of investment in United States brewing subsidiary sold on December 30, 1977 to R & R Holdings Limited, Soc. An., a member of the Rothmans World Group, for $30,000,000 cash	–	(12,093,000)
Gain on sale of Canadian brewery assets and sundry property less income taxes of $2,253,000	–	3,722,000
Unamortized excess of cost of shares of Le Club de Hockey Les Nordiques, Inc. written off	–	(1,840,000)
	$322,000	$(10,211,000)

4. Mortgages and Long Term Receivables

On February 21, 1978 the Company sold its property located at Yonge and Front Streets, Toronto, for $8,100,000. The consideration included a first mortgage of $6,885,000 due in 1981.

5. Long Term Debt

In June 1977, the Company arranged a term bank loan of $7,000,000, bearing interest until March 31, 1979 at 1¼% over the bank's prime rate and thereafter at 1% over prime. The loan is repayable in varying instalments up to March 31, 1985.

Principal payments on long term debt for the years 1980 through 1984 are as follows: 1980—$1,915,000; 1981—$2,164,000; 1982—$3,258,000; 1983—$3,800,000; 1984—$3,800,000.

6. Capital Stock

The Series A and B preference shares are redeemable at $53.00 and $52.50 per share respectively. During the year ended March 31, 1979, 5,140 Series B shares were purchased on the open market for cancellation (1978—5,090).

Rothmans Investments Limited, a wholly owned subsidiary of Rothmans of Pall Mall Canada Limited, is the owner of record of 50.1% of the Company's common shares.

7. Remuneration of Directors and Senior Officers

Total remuneration of Directors and Senior Officers for the year ended March 31, 1979 was $596,000 (1978—$692,000).

8. Pensions

The Company and its subsidiaries maintain a number of pension plans covering substantially all employees and it is the Company's policy to fund pensions with independent trustees. Based on actuarial valuations, unfunded prior service costs are estimated at $7,300,000. These amounts are being funded over periods ranging from five to fifteen years as described in Note 1. Total pension expense for the continuing operations for the year ended March 31, 1979 was $4,755,000 (1978—$4,035,000).

9. Commitments and Contingent Liabilities

Under a long term agreement with The United Breweries Limited of Copenhagen, Denmark, the Company and its affiliates have access to the brewing research and technical knowledge of United Breweries, together with the exclusive right to manufacture and sell brewery products under the Carlsberg and Tuborg trademarks in Canada and the Republic of Ireland. Royalties are payable based on total sales of all brewery products at rates varying with the volumes and selling prices of the products. The agreement is cancellable on twenty years' notice or earlier if certain specified conditions are not fulfilled.

On April 28, 1978 in consideration of a payment of $600,000 to the minority shareholders of Jordan Valley Wines Limited the commitment to acquire the minority interest (8.1%) was extended to the 1982 fiscal year. The purchase price will be at least equal to $2,993,000. Mr. N. Torno, a Director of the Company, and a member of his family hold the minority shares.

Capital expenditures for 1980 are expected to aggregate $25,500,000.

On March 29, 1979 the National Hockey League resolved to accept applications for franchises from four teams in the World Hockey Association. On April 18, 1979 Le Club de Hockey Les Nordiques, Inc., a majority owned subsidiary of La Brasserie O'Keefe Limitée, applied for a National Hockey League franchise to be located in Quebec City. If the application is accepted it is estimated that the cost of the franchise will approximate $7,000,000.

There are a number of outstanding claims and legal actions involving the Company. In the opinion of management, the outcome of these matters should have no material adverse effect on the Company's financial position.

10. Other

Certain specific unaudited information with respect to the estimated March 31, 1979 replacement cost of inventories and productive capacity and the approximate effect which replacement costs would have had on the cost of sales and depreciation expense for the year, is included in the Company's Form 10-K which is filed annually with the Securities and Exchange Commission, Washington, D.C.

The summary information on continuing operations by segment is presented on Page 19. Summarized unaudited quarterly financial data for 1979 and 1978 is included on Page 22.

Price Waterhouse & Co.
CHARTERED ACCOUNTANTS

Box 51 Toronto-Dominion Centre
Toronto, Ont. M5K 1G1
(416) 863-1133 Telex 065-24111

May 23, 1979

Auditors' Report

TO THE SHAREHOLDERS OF CARLING O'KEEFE LIMITED:

We have examined the consolidated statements of earnings, retained earnings, analysis of changes in working capital and changes in financial position of Carling O'Keefe Limited for the year ended March 31, 1979 and the consolidated balance sheet as at that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations, changes in working capital and changes in financial position of the Company for the year ended March 31, 1979 and its financial position as at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

FIVE YEAR FINANCIAL SUMMARY

(in thousands of dollars)

	Year Ended				
	March 31				June 30
	1979	1978	1977	1976	1975
Results for the Year					
Sales	$401,273	$381,147	$359,189	$343,511	$322,533
Excise and sales taxes	129,884	123,314	114,271	114,012	112,357
Sales excluding taxes	271,389	257,833	244,918	229,499	210,176
Operating costs	244,691	231,863	229,545	205,997	190,927
Investment and other income	6,241	4,470	3,570	3,455	3,007
Foreign exchange gain (loss)	758	678	(180)	(1,123)	(675)
Interest expense	2,004	2,755	2,988	3,024	3,476
Minority interest	64	83	(29)	167	168
Depreciation and amortization	8,944	8,501	7,777	7,843	7,675
Earnings from continuing operations before income taxes	22,685	19,779	8,027	14,800	10,262
Income taxes	9,073	7,970	3,194	4,466	2,466
Earnings from continuing operations	13,612	11,809	4,833	10,334	7,796
Loss from United States brewing operations	—	(10,157)	(101)	(9,488)	(8,700)
Earnings (loss) before extraordinary items	13,612	1,652	4,732	846	(904)
Extraordinary items					
Continuing operations	322	1,882	—	—	—
United States brewing operations	—	(12,093)	670	(3,363)	—
Net earnings (loss)	$ 13,934	$(8,559)	$ 5,402	$ (2,517)	$ (904)
Dividends —preference	$ 2,091	$ 2,107	$ 2,117	$ 2,132	$ 2,142
—common	$ 1,088	$ —	$ —	$ —	$ —
Net earnings (loss) per common share					
From continuing operations	52.9¢	44.6 ¢	12.5¢	37.7 ¢	26.0 ¢
Before extraordinary items	52.9¢	(2.1)¢	12.0¢	(5.9)¢	(14.0)¢
After extraordinary items	54.4¢	(49.0)¢	15.1¢	(21.4)¢	(14.0)¢
Dividends	5.0¢	—	—	—	—
Year end position					
Current assets	$ 90,942	$ 94,937	$ 80,641	$ 74,596	$ 81,692
Current liabilities	50,475	45,498	71,716	55,416	49,102
Working capital	40,467	49,439	8,925	19,180	32,590
Property, plant and equipment—net	132,736	117,635	107,791	98,577	100,372
Other assets	29,153	25,352	29,717	28,348	28,333
United States brewing subsidiary, at equity	—	—	50,910	49,782	46,053
Less: Long term debt	20,622	24,592	23,400	27,200	30,189
Deferred income taxes	25,320	22,095	17,467	15,298	14,440
Minority interest	1,824	1,731	1,648	1,714	3,394
Shareholders' equity	$154,590	$144,008	$154,828	$151,675	$159,325
Current ratio	1.8	2.1	1.1	1.3	1.7
Return on shareholders' equity	9.0%	(5.9)%	3.5%	(1.7)%	(0.6)%
Return on capital employed	8.9%	8.4 %	4.8%	7.3 %	6.2 %
Preference share capital	$ 43,026	$ 43,283	$ 43,538	$ 43,793	$ 43,974
Book value per common share	$5.13	$4.63	$5.11	$4.96	$5.30

Return on capital employed represents earnings from continuing operations excluding deferred income taxes and after tax interest expense divided by average capital employed. Capital employed is the average of the opening and closing balances of shareholders' equity (net of United States brewing subsidiary, at equity), interest bearing debt, deferred taxes and minority interest.

Summary Information on Continuing Operations by Segment
(in thousands of dollars)

	Sales		Earnings	
	1979	1978	1979	1978
Beer—Canada	$329,074	$317,322	$ 12,952	$ 12,627
—Ireland	31,519	25,123	2,534	1,584
Wine	33,525	31,904	2,166	2,383
Oil and gas	7,155	6,798	3,816	4,179
	$401,273	$381,147	21,468	20,773
Corporate income—net			3,221	1,761
Interest expense			(2,004)	(2,755)
Income taxes			(9,073)	(7,970)
Earnings from continuing operations			$ 13,612	$ 11,809

	Identifiable Assets		Capital Expenditures		Depreciation and Depletion	
	1979	1978	1979	1978	1979	1978
Beer—Canada	$125,701	$120,679	$ 9,262	$11,787	$ 5,831	$ 5,780
—Ireland	16,906	15,251	493	164	510	554
Wine	52,963	51,046	2,305	4,329	954	941
Oil and gas	42,227	28,015	14,473	6,494	1,614	1,160
	237,797	214,991	$26,533	$22,774	$ 8,909	$ 8,435
Corporate	15,034	22,933				
	$252,831	$237,924				

Earnings by segment represents total sales less all operating expenses other than corporate costs, interest and income taxes. Identifiable assets are those that are used in the Company's operations in each industry with corporate assets comprised of cash, short term investments and mortgages receivable.

Lines of Business and Segmented Information

Carling O'Keefe Limited, through its subsidiaries, manufactures and sells brewery and wine products in Canada and brewery products in Ireland. It also owns a producing oil and gas company in Canada. All subsidiaries are wholly owned with the exception of Jordan Valley Wines Limited (91.9%) and Le Club de Hockey Les Nordiques, Inc. (91.5%).

Carling O'Keefe Breweries of Canada Limited is one of three major brewing companies who together account for approximately 97% of all Canadian beer sales. The company operates eight breweries in Canada with one plant in each of the Provinces of Newfoundland, Quebec, Ontario, Manitoba, Alberta and British Columbia and two plants in the Province of Saskatchewan. Total annual brewing capacity is approximately 5,550,000 hectolitres. Principal brands are O'Keefe Ale, Old Vienna, Carling Black Label, Carlsberg, Colt 45, Trilight and Magnum Ale.

Jordan Valley Wines Limited sells in all Provinces and Territories of Canada and operates six wineries with a combined storage capacity of approximately 555,000 hectolitres. One winery is located in each of the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia with two wineries in the Province of Ontario. The company uses two trading styles, Jordan and Ste-Michelle.

Star Oil & Gas Ltd. is engaged in the exploration, development and production of oil and gas in Canada and the United States. The estimated proven developed and undeveloped gross crude oil and natural gas liquids and natural gas reserves before royalties at March 31, 1979 were 6,368,000 barrels and 188.3 Bcf. respectively. These are primarily located in the Provinces of Alberta and Saskatchewan.

Beamish & Crawford Limited owns and operates a brewery in Cork, Republic of Ireland with an annual brewing capacity of 290,000 hectolitres. The Irish market is dominated by one major brewer who accounts for approximately 90% of the total industry with the remaining market shared by Beamish & Crawford Limited and one other brewer. Principal brands are Carling Black Label, Carlsberg and Bass Ale.

Other income is derived from investments and from royalties under licensing arrangements for the production and sale of Carling Black Label.

Common Stock Quarterly Stock Price Comparison

The following table sets forth on a quarterly basis, the high and low sales prices on The Toronto Stock Exchange for the two years ended March 31, 1979:

	1979 Market Price		1978 Market Price	
Quarter	High	Low	High	Low
First	$5.25	$3.85	$3.15	$2.71
Second	5.12	4.15	3.05	2.48
Third	4.90	3.90	3.60	2.27
Fourth	5.50	4.65	4.00	3.05

Management's Discussion and Analysis of Operations

The following explanatory comments relate to the continuing operations of the Company and should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this report.

Income

Sales revenue increased $20,126,000 or 5.3% in 1979. Higher unit selling prices provided an increase of $37,000,000 which was offset by $17,000,000 due to a net volume decline. Canadian beer sales which represented 82% of total sales revenue, decreased 4.4% by volume primarily due to work stoppages in the brewing industry in Western Canada. Irish sales revenue increased but sales volume was 4.5% lower. Wine sales volume was 2.5% lower but sales revenue was 5.1% higher due to higher selling prices and changes in product mix. Oil and gas volumes were approximately 4% lower than the prior year but revenue increased 5.3% due to higher selling prices.

The increase in excise and sales taxes related to the higher revenue on which sales taxes were calculated together with increased taxes in certain Provinces.

Sales revenue in 1978, which increased $21,958,000 or 6.1% over the previous year, reflected higher selling prices partially offset by a small decline in sales volumes.

The increase in investment and other income, which was $1,771,000 or 39.6% higher than 1978, was the result of increased royalty and investment income partially offset by reduced profit on redemption of debentures. Royalty income increased primarily due to higher royalty rates and the increase in investment income resulted primarily from the investment of funds received in December 1977 from the sale of the

United States brewing subsidiary. In 1978 investment and other income was $900,000 or 25.2% higher than the previous year due to increased royalty and investment income.

Costs

Raw materials and manufacturing costs were $983,000 or .7% lower than in 1978. The effect of the volume decline, lower malt costs and the benefits gained from the consolidation of the brewing operations in Ontario offset increased unit costs particularly for labour, packaging materials and plant overheads, including taxes and utilities. In 1978 costs increased $1,530,000 or 1.1% despite lower volumes due to increased unit costs for labour and other manufacturing expenses which offset benefits gained from lower malt costs and the consolidation of the brewing operations in Ontario during the year.

Marketing and distribution costs increased $13,786,000 or 16.1%. Marketing increased primarily due to increased promotion and advertising activities in support of recently launched beer brands. Higher distribution unit costs were primarily due to increased fuel and labour costs and additional costs were incurred as new retail wine stores were opened. In 1978 costs increased $429,000 or .5% primarily due to increased distribution costs offset by a reduction in marketing costs.

Administrative and general costs increased $468,000 or 2.6% which primarily reflected higher salary costs partially offset by the reversal of certain prior year's cost provisions which were no longer required. In 1978 generally higher unit costs resulted in an increase of $1,083,000 or 6.3% over the previous year.

The issue of a $7,000,000 term bank loan in September 1977 accounted for the increase in interest on long term debt. Other interest declined as the proceeds from the sale of assets during fiscal 1978 were used to minimize the outstanding short term debt.

The foreign exchange gain in both years reflected the increased value of the Irish Punt compared to the Canadian dollar.

In both 1979 and 1978 the income tax provision represented approximately 40% of earnings. In both years these amounts were lower than the standard rates applicable due to various tax incentive programmes, Irish income being non-taxable primarily due to losses available from prior years and other non-taxable items offset by losses of certain subsidiaries which are not deductible for tax purposes. 1978 also included a provision relating to prior years.

In the year ended March 31, 1978 losses were recorded from the former United States brewing operations for the period to December 30, 1977, the date of disposal.

The gain of $322,000 after minority interest on the sale of the former winery in Victoria, British Columbia was recorded as an extraordinary item in fiscal 1979.

The loss of $12,093,000 on the sale of the Company's investment in the United States brewing subsidiary was recorded as an extraordinary item in 1978. Other extraordinary items in 1978 included the sale of the assets and trademarks used in Doran's brewing and soft drink operations in Northern Ontario, the sale of the brewery in Waterloo, Ontario, the sale of property located at Yonge and Front Streets, Toronto, Ontario and the write-off of the unamortized excess cost of Le Club de Hockey Les Nordiques, Inc.

It should be noted that results from operations from one quarter to the next are not comparable nor an indication of annual results due to the seasonal nature of the beverage industry, which traditionally has greater sales and earnings in the summer months.

QUARTERLY FINANCIAL DATA

(in thousands of dollars)

	Quarter Ended			
1979	June 30	Sept. 30	Dec. 31	Mar. 31
Sales	$108,708	$104,917	$105,333	$ 82,315
Gross profit (1)	$ 37,050	$ 36,567	$ 34,840	$ 27,471
Earnings before extraordinary item	$ 4,292	$ 5,067	$ 3,916	$ 337
Gain on sale of winery assets $351 less minority interest	322	–	–	–
Net earnings	$ 4,614	$ 5,067	$ 3,916	$ 337
Net earnings (loss) per common share				
Before extraordinary item	17.3¢	20.9¢	15.6¢	(0.9)¢
After extraordinary item	18.8¢	20.9¢	15.6¢	(0.9)¢
1978				
Sales	$103,607	$105,040	$ 95,363	$ 77,137
Gross profit (1)	$ 32,749	$ 33,525	$ 31,316	$ 23,799
Earnings from continuing operations	$ 3,171	$ 3,791	$ 4,370	$ 477
Earnings (loss) from United States brewing operations	(319)	(3,674)	(6,164)	–
Earnings (loss) before extraordinary items	2,852	117	(1,794)	477
Extraordinary items				
Continuing operations	–	3,310	–	(1,428)
United States brewing operations	–	–	(12,093)	–
Net earnings (loss)	$ 2,852	$ 3,427	$(13,887)	$ (951)
Net earnings (loss) per common share				
From continuing operations	12.1¢	15.0 ¢	17.7 ¢	(.2)¢
Before extraordinary items	10.7¢	(1.9)¢	(10.7)¢	(.2)¢
After extraordinary items	10.7¢	13.3 ¢	(66.2)¢	(6.8)¢

(1) Sales less excise and sales taxes and raw materials and manufacturing costs.

CARLING O'KEEFE LIMITED

Directors:

RALPH L. BEATTY, C.A.	Executive Vice President Finance Carling O'Keefe Limited Toronto, Ontario
CONRAD M. BLACK, LL.L., M.A.	President Argus Corporation Limited Toronto, Ontario
JOHN P. U. BURR, M.B.E.	Director Bass Limited London, England
BRIGADIER GENERAL W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D.*†	Chairman of the Board Grafton Group Limited Toronto, Ontario
THE HONOURABLE JEAN LESAGE, P.C., C.C., Q.C., LL.D.	Senior Partner Lesage, Paquet & Lesage Quebec, Quebec
JOHN C. LOCKWOOD†	Chairman of the Board Carling O'Keefe Limited Toronto, Ontario
S. RODERICK McINNES, C.A.†	President & Chief Executive Officer Carling O'Keefe Limited Toronto, Ontario
SIR DAVID NICOLSON, F. Eng., F.C.G.I., F.R.S.A.	Chairman of the Board Rothmans International Limited London, England
GEORGE C. SOLOMON*	President Western Limited Regina, Saskatchewan
POUL J. SVANHOLM	President & Chief Executive Officer The United Breweries Limited Copenhagen, Denmark
NOAH TORNO, M.B.E.*†	Chairman of the Board & Managing Director Cygnus Corporation Limited Toronto, Ontario
LOUISE B. VAILLANCOURT*	Company Director Outremont, Quebec

*Member of the Audit Committee of the Board
†Member of the Pension and Compensation Committee of the Board

Officers:

Chairman of the Board	JOHN C. LOCKWOOD
President & Chief Executive Officer	S. RODERICK McINNES
Executive Vice President Finance	RALPH L. BEATTY
Vice President International	J. ANTHONY GAUNTLEY, M.C.
Vice President Legal & Secretary	PETER JOHN YOUNG
Treasurer	ALAN M. HODGE
Assistant Secretary	JUNE W. BELL

CARLING O'KEEFE LIMITED

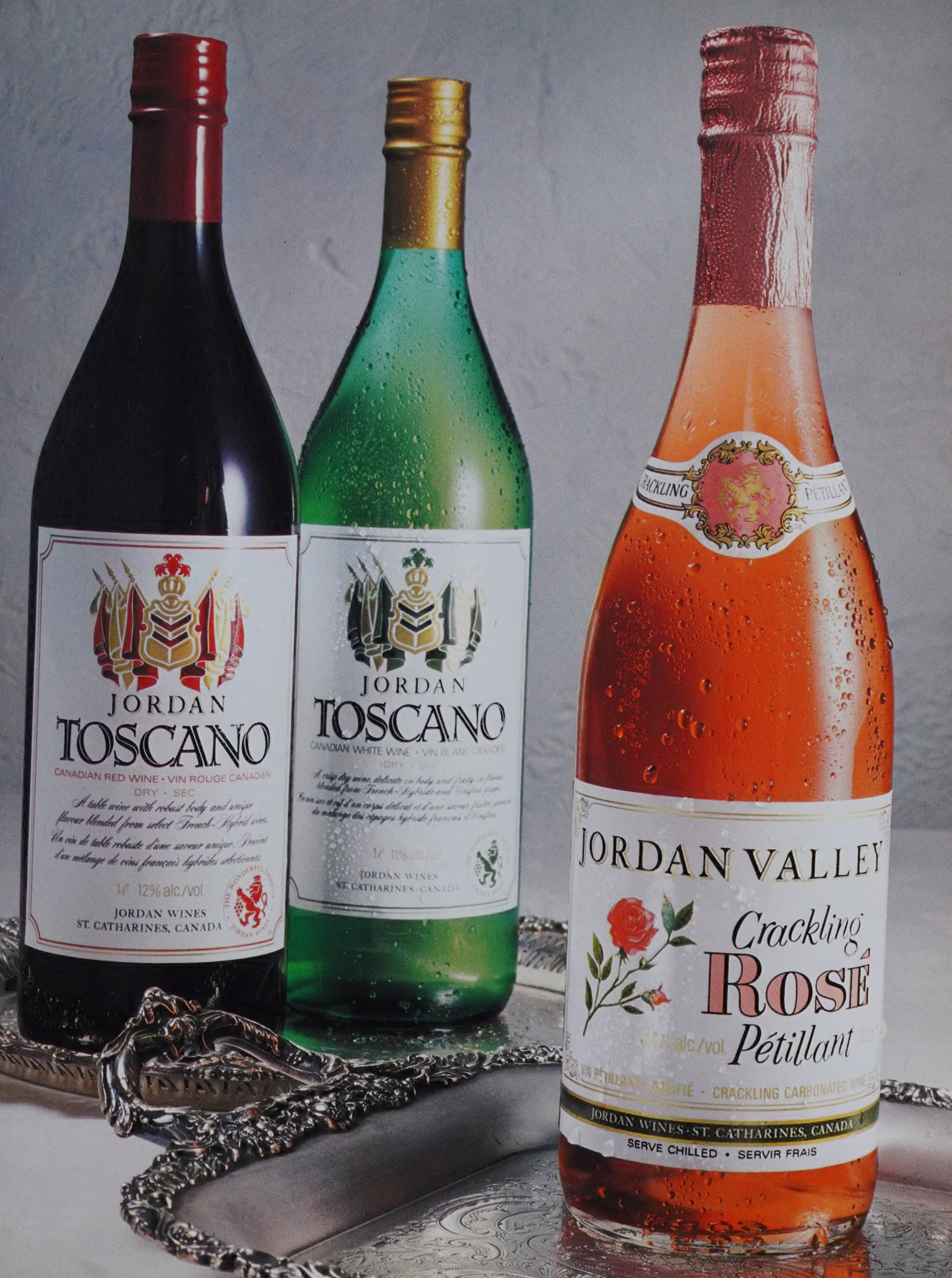
Principal Operating Subsidiary Companies:	CANADA CARLING O'KEEFE BREWERIES OF CANADA LIMITED LA BRASSERIE O'KEEFE LIMITÉE JORDAN VALLEY WINES LIMITED (91.9% owned) STAR OIL & GAS LTD. REPUBLIC OF IRELAND BEAMISH & CRAWFORD LIMITED

Chief Executive Officers of Principal Operating Subsidiaries:

Carling O'Keefe Breweries of Canada Limited	JAMES R. TAYLOR
La Brasserie O'Keefe Limitée	I. LOYOLA MATTE
Jordan Valley Wines Limited	DONALD H. TWINER
Star Oil & Gas Ltd.	RALPH A. ESTELLE
Beamish & Crawford Limited	R. ANTHONY HALPIN

Executive Offices:	79 ST. CLAIR AVENUE EAST, TORONTO, CANADA M4T 1M6
Auditors:	PRICE WATERHOUSE & CO.
Bankers:	BANK OF MONTREAL THE ROYAL BANK OF CANADA CHEMICAL BANK—NEW YORK
Registrars:	IN CANADA MONTREAL TRUST COMPANY IN THE UNITED STATES MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Solicitors:	SMITH, LYONS, TORRANCE, STEVENSON AND MAYER
Transfer Agents:	IN CANADA NATIONAL TRUST COMPANY, LIMITED Ontario, Quebec, Manitoba, Alberta and British Columbia CANADA PERMANENT TRUST COMPANY New Brunswick and Nova Scotia THE CANADA TRUST COMPANY Saskatchewan IN THE UNITED STATES THE CHASE MANHATTAN BANK

Form 10-K: Carling O'Keefe Limited common shares are traded on the New York Stock Exchange and the Company therefore files an annual report on Form 10-K with the Securities and Exchange Commission in Washington, D.C. Shareholders may obtain a copy of this report by writing to the Vice President Legal and Secretary of the Company.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